

Exhibit B

MALKA MEDIA GROUP, LLC
FINANCIAL STATEMENTS
DECEMBER 31, 2019
WITH INDEPENDENT ACCOUNTANTS' REVIEW REPORT

MALKA MEDIA GROUP, LLC

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DECEMBER 31, 2019

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Independent Accountants' Review Report

To the Members
Malka Media Group, LLC
Jersey City, New Jersey

We have reviewed the accompanying balance sheet of Malka Media Group, LLC. (the "Company") as of December 31, 2019, and the related statements of income, member's equity, cash flows, and related notes to the financial statements for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

ACCOUNTANTS' CONCLUSION

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

SUPPLEMENTARY INFORMATION

The supplementary information included in the Schedules of Costs of Goods Sold and General & Administrative Expenses is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The supplementary information has been subjected to the review procedures applied in our review of the basic financial statements. We are not aware of any material modifications that should be made to the supplementary information. We have not audited the supplementary information and do not express an opinion on such information.

CURRAN & COMPANY LLP
Newark, NJ
August 28, 2020

MALKA MEDIA GROUP, LLC

BALANCE SHEET

DECEMBER 31, 2019

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 140,752
Accounts receivable	1,703,419
Due from affiliate	<u>204,569</u>
Total current assets	<u>2,048,740</u>

FIXED ASSETS

Computer	328,975
Furniture & fixtures	239,851
Leasehold improvements	104,245
Machinery & equipment	519,449
Software asset	<u>98,151</u>
	1,290,671

Less: Accumulated depreciation	<u>(321,088)</u>
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Total Fixed Assets	<u>969,583</u>
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OTHER ASSETS

Loan fees (net of accumulated amortization of \$1,000)	19,000
Investments in partnerships	202,876
Security deposit	<u>75,383</u>

Total Other Assets	<u>297,259</u>
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TOTAL ASSETS	<u><u>\$ 3,315,582</u></u>
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See independent accountants' review report and notes to financial statements.

MALKA MEDIA GROUP LLC

BALANCE SHEET

DECEMBER 31, 2019

LIABILITIES AND SHAREHOLDER'S EQUITY

CURRENT LIABILITIES

Term loan payable, current portion	\$	252,072
Capital lease obligations, current portion		32,092
Accounts payable		<u>884,295</u>
Total current liabilities		<u>1,168,459</u>

LONG-TERM LIABILITIES

Line of credit		450,000
Capital lease obligations, noncurrent portion		32,092
Term loan payable, noncurrent portion		929,948
Loans payable - other		<u>50,670</u>
Total long-term liabilities		<u>1,462,710</u>
Total Liabilities		<u>2,631,169</u>

SHAREHOLDER'S EQUITY

Equity (Accumulated decifit)		<u>684,413</u>
Total Members' Equity (Deficiency)		684,413
Total liabilities & member's equity	\$	<u><u>3,315,582</u></u>

See independent accountants' review report and notes to financial statements.

MALKA MEDIA GROUP LLC.

STATEMENT OF INCOME & MEMBERS' EQUITY

YEAR END DECEMBER 31, 2019

NET REVENUES	\$ 13,621,310
COST OF GOODS SOLD	<u>6,048,550</u>
GROSS PROFIT	<u>7,572,760</u>
OPERATING EXPENSES	
General and administrative	<u>6,903,424</u>
Total Operating Expenses	<u>6,903,424</u>
INCOME FROM OPERATIONS	<u>669,336</u>
OTHER INCOME (EXPENSES)	
Interest income	341
Earnings from partnership	28,327
Interest expense	<u>(126,851)</u>
Total other income (expense)	<u>(98,183)</u>
INCOME BEFORE INCOME TAXES	571,153
INCOME TAX EXPENSE	<u>1,746</u>
NET INCOME	<u><u>\$ 569,407</u></u>
MEMBERS' EQUITY, BEGINNING OF YEAR	194,232
DISTRIBUTIONS TO MEMBERS	(79,226)
CAPITAL CONTRIBUTIONS BY MEMBERS	
MEMBERS' EQUITY, END OF YEAR	<u><u>\$ 684,413</u></u>

See independent accountants' review report and notes to financial statements.

MALKA MEDIA GROUP, LLC

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Net Income	\$ 569,407
Adjustments to reconcile net income to net cash used in operating activities	
Depreciation and amortization	171,890
Change in:	
Due from affiliate (advances from)	(204,569)
Accounts receivable	(946,861)
Security deposits	(3,940)
Accounts & credit cards payable	639,798
Net Cash Provided By Operating Activities	<u>225,725</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of fixed assets	(615,427)
Net investments in partnerships	(79,818)
Loan costs	(20,000)
Net Cash Used in Investing Activities	<u>(715,245)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Net advances from term loan payable	658,360
Net advances under capital lease obligations	64,184
Net advances from line of credit	-
Net repayments of member loans	(79,375)
Net distributions to members	(79,226)
Net Cash Provided by Financing Activities	<u>563,943</u>

NET DECREASE IN CASH AND CASH EQUIVALENTS 74,423

CASH AND CASH EQUIVALENTS

Beginning of the year	<u>\$ 66,329</u>
End of the year	<u><u>\$ 140,752</u></u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Cash paid during the year for:	
Interest	<u><u>\$ (126,851)</u></u>
Income taxes	<u><u>\$ (1,746)</u></u>

See independent accountants' review report and notes to financial statements.

MALKA MEDIA GROUP, LLC

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

1. NATURE OF BUSINESS

Malka Media Group, LLC (the “Company”) is a New Jersey Limited Liability Company, which is primarily engaged in the production of digital media content for corporations and sports leagues throughout the United States for the purpose of promotion, sponsorship, and advertising. The Company has locations in Jersey City, New Jersey, and Los Angeles, California.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition

Revenue is recognized under the accrual basis of accounting and recorded as revenue when work is completed and invoice to the Company’s customers. The Company’s revenue is generated from a combination of project-based purchase orders that have various stages of completion whereby additional revenue is earned, and standalone billing. The Company’s contracts are generally short-term in nature and are completed in less than one-year.

The Company has adopted ASC 606 as of December 31, 2019 regarding accounting for income from contracts and all revenues recognized by the Company for the year then ended are covered through ASC 606.

General and administrative expenses are charged to expense as incurred.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of American (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Management bases its estimates on historical experience and on various assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources.

On a regular basis, management reviews its estimates utilizing currently available information, changes in facts and circumstances, historical experience, and reasonable assumptions. After such reviews, and if deemed appropriate, those estimates are adjusted. Actual results could differ from the estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Accounts Receivable

Trade accounts receivable are stated net of an allowance for doubtful accounts of \$0 at December 31, 2019. The Company estimates the allowance based on its historical experience of the relationship between actual bad debts and net credit sales and the specific review of significant account balances that remain outstanding beyond the normal credit terms. Management charges off receivables when they are contractually past due and it is probable that they will not be collected.

MALKA MEDIA GROUP, LLC

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Property and Equipment

Property, improvements and equipment are recorded at cost. Upon retirement or disposal of property and equipment, the cost and accumulated depreciation are removed from the accounts, and any gain or loss is included in operations. Maintenance and repair costs are charged to expense as incurred. Depreciation is recorded over the estimated useful lives on a straight-line method in accordance with those lives. The estimated useful life of each asset category is as follows:

Building and improvements	27.5 - 39 years
Leasehold improvements	15 years
Furniture, fixtures and equipment	5 - 7 years
Auto	5 years
Software	3 years

Income Taxes

Provisions for income taxes are based on taxes payable or refundable for the current year and deferred taxes on temporary differences between the amount of taxable income and pretax financial income and between the tax bases of assets and liabilities and their reported amounts in the financial statements. Deferred tax assets and liabilities are included in the consolidated financial statements at currently enacted income tax rates applicable to the period in which the deferred tax assets and liabilities are expected to be realized or settled as prescribed in FASB ASC 740. As changes in tax laws or rate are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes.

Current year taxable income varies from income before current year tax expense primarily due to the use of the completed-contract method and the use of an accelerated depreciation method for tax reporting purposes.

Business tax credits are applied as a reduction to the current provision for federal income taxes using the flow-through method.

Effective January 1, 2017, the Company implemented the accounting guidance for uncertainty in income taxes using the provisions of FASB ASC 740. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the positions will be sustained upon examination by the tax authorities.

As of December 31, 2019, the Company had no uncertain tax positions, or interest and penalties that qualify for either recognition or disclosure in the financial statements.

MALKA MEDIA GROUP, LLC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

With few exceptions, the Company is no longer subject to U.S. federal, state, and local income tax examinations by tax authorities for years before 2016.

The Company is a partnership for tax purposes and is not subject to federal tax on its income. It is subject to certain immaterial minimum franchise taxes.

Accrued Vacation

The Company has a flexible paid-time-off policy and where any unused vacation time is forfeited by employees at year-end. Therefore, no vacation accrual has been recorded.

Subsequent Events

Management has evaluated events through September 3, 2020, the date that the financial statements were available to be issued. No significant subsequent events have been identified that would require adjustment or disclosure in the accompanying financial statements.

3. PROPERTY AND EQUIPMENT

The company capitalizes certain property and equipment.

A summary of capitalized machinery and equipment and the related depreciation is as follows:

Computer	\$ 328,975
Furniture & fixtures	239,851
Leasehold improvements	104,245
Machinery & equipment	423,173
Software asset	98,151
	<u>1,194,395</u>
Less: accumulated depreciation	(301,833)
	<u>\$ 892,562</u>

Depreciation expense for the year ended December 31, 2019 was \$152,635. The Company also invested \$20,000 in loan costs related to a refinancing of its indebtedness with its bank, of which \$1,000 was recorded as amortization during the year ended December 31, 2019.

MALKA MEDIA GROUP, LLC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

4. ACCOUNTS PAYABLE

The Company's accounts payable as of December 31, 2019 consists of vendor payables and credit cards and is set forth below:

Trade creditors	\$ 719,583
Credit cards	164,712
Total	<u>\$ 884,295</u>

5. NOTES PAYABLE

The Company has the following indebtedness as of December 31, 2019:

Term loan issued by ConnectOne Bank - 60 monthly payments of \$11,412.84 consisting of principal and interest at 5.25% per annum. Note date of August 7, 2018 and maturity date of August 7, 2023. Note is secured by all assets of the Company and guaranteed by the Company's principals. \$ 454,039

Term loan issued by ConnectOne Bank - 60 monthly payments of \$14,266.69 consisting of principal and interest at 5.25% per annum. Note date of October 25, 2019 and maturity date of October 25, 2024. Note is secured by all assets of the Company and guaranteed by the Company's principals. 727,981

<u>Totals</u>	<u>\$ 1,182,020</u>
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Principal payments for the next five years under such indebtedness are as follows:

2020	\$ 252,072
2021	265,629
2022	279,915
2023	246,892
2024	137,512
2025 and thereafter	-
<u>Totals</u>	<u>\$ 1,182,020</u>

The Company also has short-term demand notes due to its members in the amount of \$50,670. The notes bear no interest and are due on demand. The Company's members have no plans to demand repayment at the present time.

MALKA MEDIA GROUP, LLC

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

6. LINE OF CREDIT

The Company has a revolving line of credit in the amount of \$750,000, of which \$300,000 was unused at December 31, 2019. Bank advances on the credit line are payable on demand and bears interest at the WSJ Prime Rate plus 1%, but never below 5.75%. The credit line is secured by substantially all Company assets and is personally guaranteed by the three members of the Company.

7. COMMITMENTS AND CONTINGENCIES

The Company is party to two multi-year lease agreements for its offices in Jersey City and California. The Jersey City lease runs through February of 2026 and the California lease runs through April of 2024. Payments due under these leases for the next five years are as follows:

2020	\$ 443,073
2021	449,752
2022	465,821
2023	479,337
2024	320,149
2025 and thereafter	277,977
<u>Totals</u>	<u>\$ 2,436,109</u>

Total rental expense for the year ended December 31, 2019 was \$346,199.

The Company leases certain computer & production equipment under leases classified as capital leases. The leased equipment is depreciated on a straight line basis over 5 years. Total accumulated depreciation related to the leased equipment is \$19,255 at December 31, 2019. The following is a schedule showing the future minimum lease payments under capital leases by years and the present value of the minimum lease payments as of December 31, 2019. The interest rate related to the lease obligation is 10.71 percent and the maturity date of the lease obligation is December 10, 2021.

2020	\$ 37,664
2021	37,664
2022	-
2023	-
2024	-
2025 and thereafter	-
<u>Totals</u>	<u>\$ 75,328</u>
<u>Less: Amount representing interest</u>	<u>(11,144)</u>
<u>Present value of minimum lease payments</u>	<u>64,184</u>

8. CONCENTRATION OF CREDIT RISK

The Company had accounts receivable from two Major Customers (defined as customers each representing over 10% of the accounts receivable balance) of 27% of accounts receivable as of December 31, 2019.

MALKA MEDIA GROUP, LLC

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

9. RELATED PARTY TRANSACTIONS

The Company provides production services for a related party, Malka Sports LLC. Malka Sports procures contracts with end-users for sports related production and subcontracts the production work to Malka Media for a fee of approximately 70% of Malka Sports' billing to the end-user. Intercompany revenues were approximately \$1,650,000 for the year ended December 31, 2019.

With respect to ASC 810, Consolidations, we have not eliminated intercompany revenue as the arrangement between the Company and Malka Sports is arms-length and constitutes revenue being shared from an end user that Malka Sports bills directly.

The Company owns fifty-percent (50%) of Malka Sports LLC. It receives an allocation of income from Malka Sports performance. For the year ended December 31, 2019, this allocation of income was 28,327.

As of December 31, 2019, the Company was due \$204,569 from Malka Sports LLC for intercompany services rendered. This is reflected as "Due from Affiliates" on the Company's balance sheet.

Management has evaluated ASC 810 with respect to the need to consolidate Malka Sports LLC financials and has elected to omit the financial information of Malka Sports LLC. The Company does not directly control the business as it splits voting rights with an unrelated third-party partner. Furthermore, the operations of Malka Sports are entirely independent from the Company. The Company believes that presenting its financials in this way also more closely aligns with the needs of the primary users of the financial statements.

Malka Sports has an informal cost-sharing arrangement with monthly reimbursement to Malka Media Group for rent and utilities. The total intercompany rent and utility reimbursement during the year ended December 31, 2019 was approximately \$60,000.

The Company's book value of investments in Malka Sports LLC and a wholly owned subsidiary, Malka Films LLC, is \$202,876 as of December 31, 2019.

SUPPLEMENTARY INFORMATION

MALKA MEDIA GROUP, LLC
SCHEDULE OF COST OF GOODS SOLD
YEAR ENDED DECEMBER 31, 2019

Equipment rental	\$ 517,968
Costumes & Props	39,608
Supplies & Materials	2,021
Space Rental	59,985
Tracks & Production Items	62,938
Subcontractors - COS	4,347,553
Freight & Delivery	17,382
Travel to client & production locations	932,419
Staffing	68,676
	<hr/>
	\$ 6,048,550

See Independent Accountant's Review Report

MALKA MEDIA GROUP, LLC

SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES

YEAR ENDED DECEMBER 31, 2019

GENERAL AND ADMINISTRATIVE EXPENSES

Advertising	\$ 24,532
Auto expense	66,827
Bank Charges	2,786
Business development	71,042
Business gifts	23,966
Cleaning costs	12,826
Computer supplies & maintenance	47,690
Depreciation and amortization	171,890
Dues and subscriptions	161,906
Employee benefits	301,065
Guaranteed Payments	450,000
Legal and professional - Accounting	77,697
Legal and professional - Consulting	12,740
Legal and professional - Legal	65,874
Liability & workers compensation insurance	89,510
Meals	47,083
Office Expense	168,454
Officers life insurance	18,291
Payroll processing fee	16,841
Payroll taxes	433,268
Postage & delivery	5,981
Recruiting costs	67,136
Relocation fees	4,697
Rent	346,199
Repairs & Maintenance	77,459
Required meals	26,793
Salaries and wages	4,059,661
Security	4,622
Stationary	7,679
Telephone & internet	22,615
Utilities	11,294
Website development	5,000
	<u>\$ 6,903,424</u>

See Independent Accountant's Review Report

MALKA MEDIA GROUP, LLC
FINANCIAL STATEMENTS
DECEMBER 31, 2020
WITH INDEPENDENT ACCOUNTANTS' REVIEW REPORT

MALKA MEDIA GROUP, LLC

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Independent Accountants' Review Report

To the Members
Malka Media Group, LLC
Jersey City, New Jersey

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MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

ACCOUNTANTS' CONCLUSION

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

SUPPLEMENTARY INFORMATION

The supplementary information included in the Schedules of Costs of Goods Sold and General & Administrative Expenses is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The supplementary information has been subjected to the review procedures applied in our review of the basic financial statements. We are not aware of any material modifications that should be made to the supplementary information. We have not audited the supplementary information and do not express an opinion on such information.

A blue ink handwritten signature, appearing to be 'R', followed by a horizontal line.

CURRAN & COMPANY LLP
Newark, NJ
March 18, 2021

MALKA MEDIA GROUP, LLC

BALANCE SHEET

DECEMBER 31, 2020

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 1,364,225
Accounts receivable	2,496,956
Prepaid insurance	<u>26,776</u>
Total current assets	<u>3,887,957</u>

FIXED ASSETS

Computer	1,222,314
Furniture & fixtures	239,851
Leasehold improvements	104,245
Machinery & equipment	470,381
Software asset	<u>98,151</u>
	2,134,942
Less: Accumulated depreciation	<u>568,614</u>
Total fixed assets	<u>1,566,328</u>

OTHER ASSETS

Loan fees (net of accumulated amortization of \$2,000)	18,000
Other investments	320,425
Security deposit	<u>75,381</u>
Total other assets	<u>413,806</u>

TOTAL ASSETS

\$ 5,868,091

See independent accountants' review report and notes to financial statements.

MALKA MEDIA GROUP LLC

BALANCE SHEET

DECEMBER 31, 2020

LIABILITIES AND MEMBERS' EQUITY

CURRENT LIABILITIES

Term loan payable, current portion	\$	265,629
Capital lease obligation, current portion		32,092
Accounts payable		<u>1,082,435</u>
Total current liabilities		<u>1,380,156</u>

LONG-TERM LIABILITIES

Line of credit		729,415
Term loan payable, noncurrent portion		665,244
Loans payable - other		<u>50,670</u>
Total long-term liabilities		<u>1,445,329</u>
Total liabilities		<u>2,825,485</u>

MEMBERS' EQUITY

Members' equity		<u>3,042,606</u>
Total Members' equity		3,042,606
Total liabilities & member's equity	\$	<u><u>5,868,091</u></u>

See independent accountants' review report and notes to financial statements.

MALKA MEDIA GROUP LLC.
STATEMENTS OF INCOME & MEMBERS' EQUITY
YEAR END DECEMBER 31, 2020

NET REVENUES	\$ 16,983,069
COST OF GOODS SOLD	<u>5,409,977</u>
GROSS PROFIT	<u>11,573,092</u>
OPERATING EXPENSES	
General and administrative	<u>10,039,356</u>
Total Operating Expenses	<u>10,039,356</u>
INCOME FROM OPERATIONS	<u>1,533,736</u>
OTHER INCOME (EXPENSES)	
Interest income	4,004
Forgiveness of SBA PPP loan & EIDL grant	949,600
Earnings from partnership	67,549
Interest expense	<u>(138,348)</u>
Total other income (expense)	<u>882,805</u>
INCOME BEFORE INCOME TAXES	2,416,541
INCOME TAX EXPENSE	<u>2,551</u>
NET INCOME	<u><u>\$ 2,413,990</u></u>
MEMBERS' EQUITY, BEGINNING OF YEAR	684,413
DISTRIBUTIONS TO MEMBERS	(55,797)
CAPITAL CONTRIBUTIONS BY MEMBERS	-
MEMBERS' EQUITY, END OF YEAR	<u><u>\$ 3,042,606</u></u>

See independent accountants' review report and notes to financial statements.

MALKA MEDIA GROUP, LLC

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Net Income	\$ 2,413,990
Adjustments to reconcile net income to net cash used in operating activities	
Depreciation and amortization	267,781
Change in:	
Due from affiliate	204,569
Accounts receivable	(793,537)
Prepaid insurance	(26,776)
Accounts & credit cards payable	198,142
Net Cash Provided By Operating Activities	<u>2,264,169</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of fixed assets	(863,526)
Net increase in book value of partnerships	(67,549)
Net investments in partnerships	(50,000)
Net Cash Used in Investing Activities	<u>(981,075)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Net repayments of term loan payable	(251,147)
Net repayments of capital lease obligations	(32,092)
Net advances from line of credit	279,415
Net distributions to members	(55,797)
Net Cash Used In Financing Activities	<u>(59,621)</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS

1,223,473

CASH AND CASH EQUIVALENTS

Beginning of the year	<u>\$ 140,752</u>
End of the year	<u>\$ 1,364,225</u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Cash paid during the year for:

Interest \$ (138,348)Income taxes \$ (2,551)

See independent accountants' review report and notes to financial statements.

MALKA MEDIA GROUP, LLC

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

1. NATURE OF BUSINESS

Malka Media Group, LLC (the “Company”) is a New Jersey Limited Liability Company, which is primarily engaged in the production of digital media content for corporations and sports leagues throughout the United States for the purpose of promotion, sponsorship, and advertising. The Company has locations in Jersey City, New Jersey, and Los Angeles, California.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition

Revenue is recognized under the accrual basis of accounting and recorded as revenue when work is completed and invoice to the Company’s customers. The Company’s revenue is generated from a combination of project-based purchase orders that have various stages of completion whereby additional revenue is earned, and standalone billing. The Company’s contracts are generally short-term in nature and are completed in less than one-year.

The Company has adopted ASC 606 as of December 31, 2020 regarding accounting for income from contracts and all revenues recognized by the Company for the year then ended are covered through ASC 606.

General and administrative expenses are charged to expense as incurred.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of American (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Management bases its estimates on historical experience and on various assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources.

On a regular basis, management reviews its estimates utilizing currently available information, changes in facts and circumstances, historical experience, and reasonable assumptions. After such reviews, and if deemed appropriate, those estimates are adjusted. Actual results could differ from the estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Accounts Receivable

Trade accounts receivable are stated net of an allowance for doubtful accounts of \$0 at December 31, 2020. The Company estimates the allowance based on its historical experience of the relationship between actual bad debts and net credit sales and the specific review of significant account balances that remain outstanding beyond the normal credit terms. Management charges off receivables when they are contractually past due and it is probable that they will not be collected.

MALKA MEDIA GROUP, LLC

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Property and Equipment

Property, improvements and equipment are recorded at cost. Upon retirement or disposal of property and equipment, the cost and accumulated depreciation are removed from the accounts, and any gain or loss is included in operations. Maintenance and repair costs are charged to expense as incurred. Depreciation is recorded over the estimated useful lives on a straight-line method in accordance with those lives. The estimated useful life of each asset category is as follows:

Building and improvements	27.5 - 39 years
Leasehold improvements	15 years
Furniture, fixtures and equipment	5 - 7 years
Auto	5 years
Software	3 years

Income Taxes

Provisions for income taxes are based on taxes payable or refundable for the current year and deferred taxes on temporary differences between the amount of taxable income and pretax financial income and between the tax bases of assets and liabilities and their reported amounts in the financial statements. Deferred tax assets and liabilities are included in the consolidated financial statements at currently enacted income tax rates applicable to the period in which the deferred tax assets and liabilities are expected to be realized or settled as prescribed in FASB ASC 740. As changes in tax laws or rate are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes.

Current year taxable income varies from income before current year tax expense primarily due to the use of the completed-contract method and the use of an accelerated depreciation method for tax reporting purposes.

Business tax credits are applied as a reduction to the current provision for federal income taxes using the flow-through method.

Effective January 1, 2017, the Company implemented the accounting guidance for uncertainty in income taxes using the provisions of FASB ASC 740. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the positions will be sustained upon examination by the tax authorities.

As of December 31, 2020, the Company had no uncertain tax positions, or interest and penalties that qualify for either recognition or disclosure in the financial statements.

MALKA MEDIA GROUP, LLC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

With few exceptions, the Company is no longer subject to U.S. federal, state, and local income tax examinations by tax authorities for years before 2017.

The Company is a partnership for tax purposes and is not subject to federal tax on its income. It is subject to certain immaterial minimum franchise taxes.

Accrued Vacation

The Company has a flexible paid-time-off policy and where any unused vacation time is forfeited by employees at year-end. Therefore, no vacation accrual has been recorded.

Subsequent Events

Management has evaluated events through March 10, 2021, the date that the financial statements were available to be issued. No significant subsequent events have been identified that would require adjustment or disclosure in the accompanying financial statements.

3. PROPERTY AND EQUIPMENT

The company capitalizes certain property and equipment.

A summary of capitalized machinery and equipment and the related depreciation is as follows:

Computer	\$ 1,222,313
Furniture & fixtures	239,851
Leasehold improvements	104,245
Machinery & equipment	470,381
Software asset	98,151
	<u>2,134,941</u>
Less: accumulated depreciation	(568,614)
	<u><u>\$ 1,566,327</u></u>

Depreciation expense for the year ended December 31, 2020 was \$266,781. The Company also invested \$20,000 in loan costs related to a refinancing of its indebtedness with its bank in 2019, of which \$1,000 was recorded as amortization expense during the year ended December 31, 2020.

MALKA MEDIA GROUP, LLC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

4. ACCOUNTS PAYABLE

The Company's accounts payable as of December 31, 2020 consists of vendor payables and credit cards and is set forth below:

Trade creditors	\$ 875,923
Credit cards	206,512
Total	<u>\$ 1,082,435</u>

5. NOTES PAYABLE

The Company has the following indebtedness as of December 31, 2020:

Term loan issues by ConnectOne Bank - 60 monthly payments of \$11,412.84 consisting of principal and interest at 5.25% per annum
Note date of August 7, 2018 and maturity date of August 7, 2023.
Note is secured by all assets of the Company and guaranteed by the Company's principals. \$ 339,793

Term loan issues by Connectone Bank - 60 monthly payments of \$14,266.69 consisting of principal and interest at 5.25% per annum.
Note date of October 25, 2019 and maturity date of October 25, 2024.
Note is secured by all assets of the Company and guaranteed by the Company's principals. 591,080

Totals	<u>\$ 930,873</u>
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Principal payments for the next five years under such indebtedness are as follows:

2021	\$ 265,629
2022	279,915
2023	246,892
2024	138,437
2025 and thereafter	-
Totals	<u>\$ 930,873</u>

The Company also has short-term demand notes due to its members in the amount of \$50,670. The notes bear no interest and are due on demand. The Company's members have no plans to demand repayment at the present time.

MALKA MEDIA GROUP, LLC

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

6. LINE OF CREDIT

The Company has a revolving line of credit in the amount of \$750,000, of which \$20,585 was unused at December 31, 2020. Bank advances on the credit line are payable on demand and bears interest at the WSJ Prime Rate plus 1%, but never below 5.75%. The credit line is secured by substantially all Company assets and is personally guaranteed by the three members of the Company.

7. COMMITMENTS AND CONTINGENCIES

The Company is party to two multi-year lease agreements for its offices in Jersey City and California. The Jersey City lease runs through February of 2026 and the California lease runs through April of 2024. Payments due under these leases for the next five years are as follows:

2021	\$ 449,752
2022	465,821
2023	479,337
2024	320,149
2025 and thereafter	505,562
<u>Totals</u>	<u>\$ 2,220,621</u>

Total rental expense for the year ended December 31, 2020, net of reimbursements from related parties, was \$215,488. As referenced in Note 9 to these financial statements concerning "Related Parties", an affiliated entity to the Company, Malka Sports, paid \$290,330 in rent during 2020 of which the Company was obligated to pay.

The Company leases certain computer & production equipment under leases classified as capital leases. The leased equipment is depreciated on a straight line basis over 5 years. Total accumulated depreciation related to the leased equipment is \$19,255 at December 31, 2020. The following is a schedule showing the future minimum lease payments under capital leases by years and the present value of the minimum lease payments as of December 31, 2019. The interest rate related to the lease obligation is 10.71 percent and the maturity date of the lease obligation is December 10, 2021.

2021	\$ 37,664
2022	-
2023	-
2024	-
2025 and thereafter	-
<u>Totals</u>	<u>\$ 37,664</u>
Less: Amount representing interest	(5,572)
<u>Present value of minimum lease payments</u>	<u>32,092</u>

8. CONCENTRATION OF CREDIT RISK

The Company had accounts receivable from four Major Customers (defined as customers each representing over 10% of the accounts receivable balance) of 55% of accounts receivable as of December 31, 2020.

MALKA MEDIA GROUP, LLC

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

9. RELATED PARTY TRANSACTIONS

The Company provides production services for a related party, Malka Sports LLC. Malka Sports procures contracts with end-users for sports related production and subcontracts the production work to Malka Media for a fee of approximately 70% of Malka Sports' billing to the end-user. Intercompany revenues were \$3,011,817 for the year ended December 31, 2020.

With respect to ASC 810, Consolidations, we have not eliminated intercompany revenue as the arrangement between the Company and Malka Sports is arms-length and constitutes revenue being shared from an end user that Malka Sports bills directly.

The Company owns fifty-percent (50%) of Malka Sports LLC. It receives an allocation of income from Malka Sports performance. For the year ended December 31, 2020, this allocation of income was \$67,549.

Management has evaluated ASC 810 with respect to the need to consolidate Malka Sports LLC financials and has elected to omit the financial information of Malka Sports LLC. The Company does not directly control the business as it splits voting rights with an unrelated third-party partner. Furthermore, the operations of Malka Sports are entirely independent from the Company. The Company believes that presenting its financials in this way also more closely aligns with the needs of the primary users of the financial statements.

Malka Sports has an informal cost-sharing arrangement with monthly reimbursement to Malka Media Group for rent and utilities. The total intercompany rent and utility reimbursement during the year ended December 31, 2020 was approximately \$60,000.

The Company's book value of investments in Malka Sports LLC and a wholly owned subsidiary, Malka Films LLC, is \$270,425 as of December 31, 2020.

10. OTHER INVESTMENTS

The Company holds investments in three separate businesses, two of which are related parties. The book value of the Company's interest in Malka Sports is \$195,425 as of December 31, 2020. The book value of the Company's interest in a wholly owned subsidiary, Malka Films LLC, is \$75,000 as of December 31, 2020. The Company made a convertible note investment in Parched Hospitality Group, Inc. in the amount of \$50,000 during the year ended December 31, 2020. The Company has evaluated its investment in Parched for impairment during the year ended December 31, 2020 in accordance with applicable ASC guidance and has determined that such an impairment is not required.

The total book value of these investments is \$320,425 as of December 31, 2020.

11. RETIREMENT PLAN

The Company sponsors a 401(K) plan which provides the ability for employees to make elective deferrals into the Company-sponsored 401(k) hosted by Guideline. The Plan is fully bonded. The Company makes a 1% match on behalf of employees who contribute at least 1% into the Plan. The Company has incurred \$47,176 of 401K matching expense for the year ended December 31, 2020.

MALKA MEDIA GROUP, LLC

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

NOTE 12 – SBA PPP LOAN FORGIVENESS

The Company was party to a Paycheck Protection Program loan in the amount of \$939,600, which was fully forgiven in the year ended December 31, 2020. Pursuant to TQA 3200-18 issued by the AICPA, and consistent with generally accounting principles regarding the forgiveness of loans, the Company has included this forgiveness as income for the year ended December 31, 2020.

SUPPLEMENTARY INFORMATION

MALKA MEDIA GROUP, LLC
SCHEDULE OF COST OF GOODS SOLD
YEAR ENDED DECEMBER 31, 2020

Equipment rental	\$ 916,649
Costumes & props	6,867
Supplies & materials	36,591
Space rental	105,674
Tracks & production Items	306,675
Subcontractors - COS	3,412,706
Freight & delivery	52,621
Travel to client & production locations	486,567
Staffing	85,627
	<hr/>
	\$ 5,409,977

See Independent Accountant's Review Report

MALKA MEDIA GROUP, LLC

SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES

YEAR ENDED DECEMBER 31, 2020

GENERAL AND ADMINISTRATIVE EXPENSES

Advertising	\$ 70,786
Auto expense	32,557
Bank Charges	5,730
Business development	2,165
Business gifts	13,173
Cleaning costs	21,375
Computer supplies & maintenance	330,200
Depreciation and amortization	267,781
Donations	10,240
Dues and subscriptions	215,678
Employee benefits	81,322
Guaranteed payments	546,876
Legal and professional - Accounting	108,987
Legal and professional - Consulting	50,500
Legal and professional - Legal	227,918
Liability & workers compensation insurance	125,791
Meals	5,881
Miscellaneous	17,928
Office expense	195,158
Officers life insurance	17,869
Payroll processing fee	9,037
Payroll taxes	7,296
Penalties	1,383
Pension expense	47,176
Postage & delivery	4,715
Recruiting costs	73,851
Relocation fees	11,931
Rent	215,488
Repairs & maintenance	3,250
Salaries and wages	7,282,244
Stationary	2,810
Telephone & internet	6,024
Utilities	26,236
	<u>\$ 10,039,356</u>

See Independent Accountant's Review Report